

House Study Bill 658 - Introduced

HOUSE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON SANDS)

A BILL FOR

1 An Act relating to the administration of the tax and related
2 laws by the department of revenue, including the renewable
3 energy tax credit, appeal procedures for certain centrally
4 assessed property, an extension of the utility replacement
5 tax task force, a sales and use tax exemption for certain
6 items used in performance of a construction contract with
7 designated exempt entities, and including effective date and
8 retroactive and other applicability provisions.
9 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 423.3, subsection 80, paragraph a, Code
2 2016, is amended to read as follows:

3 a. For purposes of **this subsection**, "*designated exempt*
4 *entity*" means ~~an~~ any of the following:

5 (1) An entity which is designated in section 423.4,
6 subsection 1 or 6.

7 (2) An entity which is an instrumentality of a county or
8 municipal government, including an agent of such entity, if
9 the entity was created for the purpose of owning, including
10 pursuant to a lease-purchase agreement, real property located
11 within a reinvestment district established under chapter 15J.

12 Sec. 2. Section 429.2, subsection 2, paragraph c, Code 2016,
13 is amended to read as follows:

14 c. The director of revenue shall consider all evidence and
15 witnesses offered by the taxpayer and the department, including
16 but not limited to evidence relating to the proper valuation of
17 the property involved.

18 Sec. 3. Section 437A.15, subsection 7, paragraph b, Code
19 2016, is amended to read as follows:

20 b. The task force shall study the effects of the replacement
21 taxes under **this chapter** and **chapter 437B** on local taxing
22 authorities, local taxing districts, consumers, and taxpayers
23 through January 1, ~~2016~~ 2019. If the task force recommends
24 modifications to the replacement tax that will further the
25 purposes of tax neutrality for local taxing authorities, local
26 taxing districts, taxpayers, and consumers, consistent with the
27 stated purposes of **this chapter**, the department of management
28 shall transmit those recommendations to the general assembly.

29 Sec. 4. Section 437B.11, subsection 7, Code 2016, is amended
30 to read as follows:

31 7. The utility replacement tax task force created in section
32 437A.15 shall study the effects of the replacement tax on
33 local taxing authorities, local taxing districts, consumers,
34 and taxpayers through January 1, ~~2016~~ 2019. If the task
35 force recommends modifications to the replacement tax that

1 will further the purposes of tax neutrality for local taxing
2 authorities, local taxing districts, taxpayers, and consumers,
3 consistent with the stated purposes of *this chapter*, the
4 department of management shall transmit those recommendations
5 to the general assembly.

6 Sec. 5. Section 476C.3, subsection 4, paragraph b,
7 subparagraph (3), Code 2016, is amended to read as follows:

8 (3) (a) Of the maximum amount of energy production capacity
9 equivalent of all other facilities found eligible under this
10 chapter, ten megawatts of nameplate generating capacity or
11 energy production equivalent shall be reserved for solar energy
12 conversion facilities with that meet all of the following
13 requirements:

14 (i) The facility has a generating capacity of one and
15 one-half megawatts or less.

16 (ii) The facility is owned, in whole or in part, directly
17 or indirectly, or is contracted for, by utilities described in
18 section 476C.1, subsection 6, paragraph "b", subparagraphs (4)
19 and (5).

20 (iii) The facility is located in this state.

21 (iv) The facility meets the requirements of section 476C.1,
22 subsection 6, paragraphs "d" through "f".

23 (b) A solar energy conversion facility that meets the
24 requirements of and is found eligible under subparagraph
25 division (a) shall be considered an "eligible renewable energy
26 facility" for purposes of this chapter, notwithstanding any
27 contrary provisions of section 476C.1, subsection 6.

28 Sec. 6. Section 476C.3, subsection 7, Code 2016, is amended
29 to read as follows:

30 7. An owner meeting the requirements of section 476C.1,
31 subsection 6, paragraph "b", shall not be an owner of more than
32 two eligible renewable energy facilities. A person that has
33 an equity interest equal to or greater than fifty-one percent
34 in an eligible renewable energy facility shall not have an
35 equity interest greater than ten percent in any other eligible

1 renewable energy facility. This subsection shall not apply to
2 facilities described in section 476C.3, subsection 4, paragraph
3 "b", subparagraph (3).

4 Sec. 7. EFFECTIVE UPON ENACTMENT. The following
5 provision or provisions of this Act, being deemed of immediate
6 importance, take effect upon enactment:

7 1. The section of this Act amending section 429.2.

8 2. The section of this Act amending section 437A.15.

9 3. The section of this Act amending section 437B.11.

10 4. The sections of this Act amending section 476C.3.

11 Sec. 8. RETROACTIVE APPLICABILITY. The following provision
12 or provisions of this Act apply retroactively to January 1,
13 2016:

14 1. The section of this Act amending section 437A.15.

15 2. The section of this Act amending section 437B.11.

16 Sec. 9. RETROACTIVE APPLICABILITY. The following provision
17 or provisions of this Act apply retroactively to January 1,
18 2015, for tax years beginning on or after that date:

19 1. The sections of this Act amending section 476C.3.

20 Sec. 10. RETROACTIVE APPLICABILITY. The following
21 provision or provisions of this Act apply retroactively to May
22 22, 2015:

23 1. The section of this Act amending section 429.2.

24 Sec. 11. RETROACTIVE APPLICABILITY. The following
25 provision or provisions of this Act apply retroactively to
26 applications for the renewable energy tax credit made on or
27 after June 26, 2015:

28 1. The sections of this Act amending section 476C.3.

29 EXPLANATION

30 The inclusion of this explanation does not constitute agreement with
31 the explanation's substance by the members of the general assembly.

32 This bill relates to the administration of the tax and
33 related laws by the department of revenue.

34 SALES AND USE TAXES. A sales tax exemption is provided under
35 current law to contractors, subcontractors, and builders for

1 the purchase of building materials, supplies, and equipment
2 for use in the performance of a construction contract with
3 a designated exempt entity. The bill amends the definition
4 of "designated exempt entity" to include an instrumentality
5 of a county or municipal government, including an agent of
6 such entity, if the entity was created for the purpose of
7 owning, including pursuant to a lease-purchase agreement, real
8 property located within a reinvestment district established
9 under the Iowa Reinvestment Act in Code chapter 15J. The
10 Iowa Reinvestment Act, in general, authorizes municipalities
11 to establish reinvestment districts and receive remittances
12 of specified amounts of state sales tax and state hotel and
13 motel tax revenues collected in those districts for use in
14 undertaking projects within the district.

15 By operation of Code section 423.6, an item exempt from the
16 imposition of the sales tax is also exempt from the use tax
17 imposed in Code section 423.5.

18 CENTRALLY ASSESSED PROPERTY. The bill adds the department
19 of revenue to the list of parties for which the director of
20 revenue shall consider all offered evidence and witnesses
21 during an appeal of an assessment of certain property centrally
22 assessed by the department of revenue for purposes of property
23 taxation. This provision takes effect upon enactment and
24 applies retroactively to May 22, 2015.

25 UTILITY REPLACEMENT TAX TASK FORCE. The bill extends the
26 utility replacement tax task force to January 1, 2019, from
27 January 1, 2016. This task force was created to study the
28 effects of the replacement taxes on electricity and natural gas
29 providers and rate-regulated water utilities. This provision
30 takes effect upon enactment and applies retroactively to
31 January 1, 2016.

32 RENEWABLE ENERGY TAX CREDIT. The maximum amount of
33 renewable energy tax credits that may be issued under Code
34 chapter 476C is measured in part by the nameplate generating
35 capacity (NGC) of the eligible renewable energy facilities.

1 Under current law, 10 megawatts out of the total 63 megawatts
2 of NGC for which credits may be issued to facilities other
3 than wind conversion facilities is reserved for small solar
4 facilities owned or contracted for by electric cooperative
5 associations, municipally owned utilities, public utilities
6 subject to rate regulation, or electric cooperative
7 associations (specified utilities). For those small solar
8 facilities owned by the specified utilities, the bill removes
9 the requirement that the specified utility must own at least 51
10 percent of the facility and instead provides that the specified
11 utility must own the facility in whole or in part, directly or
12 indirectly.

13 Also under current law for purposes of qualifying for the tax
14 credit, an owner of an eligible renewable energy facility shall
15 not own more than two eligible renewable energy facilities, and
16 a person that has an equity interest of at least 51 percent
17 in an eligible renewable energy facility shall not have an
18 equity interest greater than 10 percent in any other eligible
19 renewable energy facility. The bill provides that these
20 restrictions shall not apply to the small solar facilities
21 described above.

22 The renewable energy tax credit provisions take effect upon
23 enactment and apply retroactively to January 1, 2015, for tax
24 years beginning on or after that date, and apply retroactively
25 to applications for the renewable energy tax credit made on or
26 after June 26, 2015.